

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6320

BILL NUMBER: SB 173

DATE PREPARED: Dec 5, 2001

BILL AMENDED:

SUBJECT: State Police Disability Pension.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill: (A) authorizes the Indiana State Police Department (ISP) to establish disability expense reimbursements and disability pensions for employee beneficiaries who incur disabilities: (1) in the line of duty; and (2) not in the line of duty; (B) authorizes the ISP to seek rulings from the Internal Revenue Service (IRS) as to the federal tax treatment for the line-of-duty disability benefits; (C) provides for a waiver of tuition and mandatory fees at any state-supported college, university, or technical school for the child or spouse of a regular, paid ISP police employee who has been permanently and totally disabled by a catastrophic personal injury that was sustained in the line of duty and permanently prevents the employee from performing any gainful work. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2002.

Explanation of State Expenditures: (A) *The bill authorizes the Indiana State Police Department (ISP) to establish disability expense reimbursements and disability pensions for employee beneficiaries who incur disabilities: (1) in the line of duty; and (2) not in the line of duty.*

The specific fiscal impact will depend upon the type of program established by the ISP. Expenditures could increase, decrease, or remain the same. The funds affected are the State General Fund and the Motor Vehicle Highway Account, both of which support the ISP equally for disability and pension benefits. (B) Seeking the ruling from the IRS likely will not have a fiscal impact. The ISP has a contract with an outside legal counsel for their disability and pension matters. It is likely that any work required for seeking the IRS ruling would come under the existing contract.

Explanation of State Revenues: (B) *The bill authorizes the ISP to seek rulings from the Internal Revenue Service (IRS) as to the federal tax treatment for the line of duty disability benefits.*

Receiving an IRS ruling favorable to the individual on the federal tax treatment for the line-of duty disability benefits would, initially, impact federal income tax revenue. If Indiana incorporates the ruling in the state's annual revenue update bill, state revenues from the Individual Adjusted Gross Income Tax likely would be reduced by an indeterminable amount. Revenue from the Individual Gross Income Tax is deposited into the State General Fund. For FY 2000, the most recent year for which complete data are available, total disability payments amounted to \$941,435. Specific data on the amount for line-of-duty disability are not available. Using this amount as a base, if these payments were tax exempt, the revenue loss would amount to \$32,000.

(C) The bill provides for a waiver of tuition and mandatory fees at any state-supported college, university, or technical school for the child or spouse of a regular, paid ISP police employee who has been permanently and totally disabled by a catastrophic personal injury that was sustained in the line of duty and permanently prevents the employee from performing any gainful work.

This bill would increase the level of statutory fee remissions for state-supported colleges and universities. The university's general fund absorbs the costs of fee remissions. Universities must provide statutory remissions first; the remainder of the money is discretionary. As statutory requirements increase, the level of discretionary dollars decreases.

The number of individuals for whom the expanded benefits of this provision could affect is indeterminable.

Background Information: The following table illustrates the number of students in FY 1999 and FY 2000 whom state-supported institutions report received fee remissions under the current Children of Disabled Veterans statute.

	1998-1999			1999-2000		
	Awards	Amount	Avg. Award	Awards	Amount	Avg. Award
Ball State	416	\$1,012,788	\$2,435	343	\$980,830	\$2,860
Indiana State	190	\$378,658	\$1,993	206	\$656,018	\$3,185
Indiana University	4,374	\$3,020,310	\$691	4,230	\$3,355,613	\$793
Ivy Tech	1,320	\$1,210,533	\$917	1,430	\$1,287,687	\$900
Purdue University	801	\$1,909,423	\$2,384	783	\$1,802,734	\$2,302
University of Southern Indiana	218	\$258,224	\$1,185	198	\$266,609	\$1,347
Vincennes	196	\$216,111	\$1,103	170	\$360,757	\$2,122
Statewide Totals	7,515	\$8,006,047	\$1,065	7,360	\$8,710,248	\$1,183

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police; State-supported Colleges, Universities, and Technical Schools.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for the State Police, 576-1508; Indiana Higher Education Commission.